

Message Text

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PAGE 01 STATE 028962
ORIGIN IO-13

INFO OCT-01 EUR-12 ISO-00 L-03 TRSE-00 /029 R

DRAFTED BY IO/TRC:CHARTLEY:AMP
APPROVED BY IO - DONALD R. TOUSSAINT
L/UNA:LSTEWART
IO/EX:SCUMMINS
IO/BA:FMCCORMICK
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IO/IBC/BA:WMSOUTHWORTH
IO/EX - SCUMMINS

-----090746Z 106285 /14

R 090155Z FEB 77
FM SECSTATE WASHDC
TO AMEMBASSY MADRID

UNCLAS STATE 028962

FOR WALTER LUBKEMAN

E.O. 11652: N/A

TAGS: PORG, EAIR, EFIN, WTO

SUBJECT: WTO: AGREEMENT WITH WTO FOR REIMBURSEMENT OF US
INCOME TAXES

1. WORLD TOURISM ORGANIZATION (WTO) SECGEN LONATI, DURING
NOVEMBER 1976 WTO EXECUTIVE COUNCIL MEETING, EXPRESSED
INTEREST IN HAVING HIS ORGANIZATION CONCLUDE TAX REIMBURSE-
MENT AGREEMENT WITH US. PURPOSE OF AGREEMENT WOULD BE TO
EQUATE REMUNERATION RECEIVED BY WTO AMERICAN STAFF MEMBERS
AND OTHER STAFF MEMBERS NOT SUBJECT TO NATIONAL TAXES,
BEARING IN MIND THAT BOTH PAY STAFF ASSESSMENT INTENDED TO
BE IN LIEU OF INCOME TAXES. THIS WOULD BE ACCOMPLISHED BY
HAVING WTO REIMBURSE AMERICAN STAFF MEMBERS FOR US INCOME
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TAXES THEY HAVE PAID ON THEIR WTO INCOME, AND THEN BY HAV-
ING US REIMBURSE WTO FOR AMOUNT LATTER HAS PAID TO AMERICAN
STAFF MEMBERS.

2. US AGREES TO ENTER INTO SUCH AN AGREEMENT BEGINNING
WITH TAXES PAID IN CALENDAR YEAR 1977.
ACCORDINGLY,
EMBASSY, AFTER DETERMINING FROM WTO ESTIMATED AMOUNT AMERI-

CAN STAFF MEMBERS WILL PAY IN US INCOME TAXES IN CY 1977 AND ENTERING FIGURE IN TEXT BELOW, SHOULD ASK SEC GEN LONATI TO ADDRESS FOLLOWING LETTER TO EMBASSY:

3. QUOTE: I HAVE THE HONOR TO INFORM YOU THAT THE WORLD TOURISM ORGANIZATION (WTO) WOULD LIKE THE GOVERNMENT OF THE UNITED STATES TO CONSIDER THE POSSIBILITY OF ENTERING INTO AN AGREEMENT WITH THE WTO FOR THE REIMBURSEMENT OF UNITED STATES INCOME TAXES PAID BY WTO EMPLOYEES ON THEIR WTO EARNINGS.

QUOTE: AS YOU ARE AWARE, THE REIMBURSEMENT TO STAFF MEMBERS OF INCOME TAXES PAID ON EARNINGS DERIVED FROM EMPLOYMENT WITH THE ORGANIZATION IS DESIGNED TO PROVIDE EQUALITY OF REMUNERATION BETWEEN EMPLOYEES SUBJECT TO UNITED STATES INCOME TAXES, AND OTHER STAFF MEMBERS WHOSE SALARIES ARE EXEMPT FROM NATIONAL TAXATION.

QUOTE: CONSIDERATION COULD BE GIVEN TO INTRODUCING A TAX EQUALIZATION PLAN IN THE WTO, BUT IN VIEW OF THE FACT THAT THE NUMBER AND VALUE OF SUCH TAX REIMBURSEMENTS WOULD BE SMALL COMPARED TO THOSE OF SOME OF THE OTHER COMMON SYSTEM ORGANIZATIONS, IT IS FELT THAT IT WOULD BE PREFERABLE TO AVOID THE NEED TO INTRODUCE SUCH AN ELABORATE PROCEDURE.

QUOTE: I AM AWARE THAT THE UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION, THE INTERNATIONAL UNCLASSIFIED

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LABOR ORGANIZATION, THE INTERNATIONAL ATOMIC ENERGY AGENCY, THE INTERNATIONAL TELECOMMUNICATION UNION AND THE UNIVERSAL POSTAL UNION HAVE CONCLUDED AGREEMENTS WITH THE GOVERNMENT OF THE UNITED STATES WHEREBY THE GOVERNMENT REFUNDS TO THOSE ORGANIZATIONS THE AMOUNT OF UNITED STATES INCOME TAXES REIMBURSED BY THOSE ORGANIZATIONS TO STAFF MEMBERS. SUCH AGREEMENTS PRODUCE THE SAME RESULT AS A TAX EQUALIZATION PLAN AND HAVE THE ADVANTAGE OF BEING ADMINISTRATIVELY INEXPENSIVE AND SIMPLE.

QUOTE: I AM THEREFORE ASKING YOU TO BE GOOD ENOUGH TO RAISE WITH YOUR GOVERNMENT THE POSSIBILITY OF AN AGREEMENT BETWEEN THE WTO AND THE GOVERNMENT OF THE UNITED STATES, UNDER WHICH REIMBURSEMENTS OF UNITED STATES INCOME TAXES ON THEIR WTO EARNINGS PAID TO STAFF MEMBERS BY THE WTO WOULD BE REFUNDED DIRECTLY TO THE WTO BY THE GOVERNMENT. THE ANNUAL COST OF SUCH TAX REIMBURSEMENT IS ESTIMATED TO BE DOLLARS (BLANK), AT THE PRESENT.

QUOTE: IF YOUR GOVERNMENT ACCEPTS THIS PROPOSAL, I WOULD SUGGEST THAT THE WTO PAY TAX REIMBURSEMENTS TO REGULAR BUDGET-FUNDED WTO STAFF MEMBERS WHO ARE US CITIZENS, OR OTHERWISE LIABLE TO PAY US INCOME TAXES, FOR ANY US INCOME TAXES LEVIED ON THEIR WTO INCOME, THROUGH A SPECIAL SUSPENSE ACCOUNT. THE US GOVERNMENT WOULD THEN BE OBLI-

GATED TO PAY A TAX EQUALIZATION CHARGE AS PART OF ITS ANNUAL PAYMENT TO THE WTO TO COMPENSATE THIS SPECIAL SUSPENSE ACCOUNT. THIS CHARGE WOULD COVER ACTUAL REIMBURSEMENTS MADE BY THE WTO TO EMPLOYEES SUBJECT TO US INCOME TAXES, WHOSE SALARIES ARE CHARGEABLE TO THE WTO REGULAR BUDGET. UNQUOTE

4. EMBASSY SHOULD INFORM LONATI THAT, UPON RECEIPT OF ABOVE LETTER, US WILL PROPOSE EXCHANGE OF SECOND AND THIRD LETTERS, TEXTS OF WHICH WILL BE PROVIDED AT UNCLASSIFIED

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APPROPRIATE TIME. EXCHANGE OF SECOND AND THIRD LETTERS WILL CONSTITUTE TAX REIMBURSEMENT AGREEMENT. IF EMBASSY RECEIVES ABOVE LETTER FROM LONATI BEFORE OR DURING FEBRUARY 21-25 WTO EXECUTIVE COUNCIL MEETING IN MADRID, TRC AGENCY DIRECTOR DIAMANTI, WHO WILL BE CHAIRMAN OF US DELEGATION TO MEETING, WILL BE AUTHORIZED TO SIGN SECOND LETTER.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, INCOME TAXES
Control Number: n/a
Copy: SINGLE
Sent Date: 09-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE028962
Document Source: CORE
Document Unique ID: 00
Drafter: CHARTLEY:AMP
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770045-1174
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770258/aaaabyyu.tel
Line Count: 147
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e5cf18c9-c288-dd11-92da-001cc4696bcc
Office: ORIGIN IO
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3363387
Secure: OPEN
Status: NATIVE
Subject: WTO: AGREEMENT WITH WTO FOR REIMBURSEMENT OF US INCOME TAXES
TAGS: PORG, EAIR, EFIN, WTO
To: MADRID
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e5cf18c9-c288-dd11-92da-001cc4696bcc
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